

INITIAL STATEMENT OF REASONS

Financial Code Section 3359(d)(3) permits a California state-chartered bank or trust company to acquire its own shares if the acquisition is approved in advance by the Commissioner of Financial Institutions ("Commissioner"). Currently, there is no standard setting forth what must be included in an application to obtain approval from the Commissioner to acquire a bank or trust company's own stock.

Proposed Regulation Section 10.19900 specifies the application requirements to acquire a bank's or trust company's own stock. Proposed Regulation Section 10.19901 specifies the criteria to be considered by the Commissioner in the approval process of such an application.

The Department of Financial Institutions (the "Department") is responsible for ensuring the safety and soundness of its licensees. One dimension of safety and soundness is that a bank or trust company maintains enough capital to support day-to-day operations. Financial Code Sections 642, 643, and 644 limit the amount of bank capital that can be distributed. Among other things, the Commissioner relies on these limits to determine the capital adequacy of an institution in connection with a distribution. The proposed regulations will ensure that a bank or trust company who chooses to purchase its own stock will maintain capital adequacy and conform with safety and soundness standards, and that the transaction will be fair, just and equitable to all parties.

TECHNICAL, THEORETICAL, AND/OR EMPIRICAL STUDY, REPORTS, OR DOCUMENTS.

The Department did not rely upon any technical, theoretical, or empirical studies, reports or documents in proposing the adoption of this regulation.

REASONABLE ALTERNATIVES TO THE REGULATION AND THE AGENCY'S REASONS FOR REJECTING THOSE ALTERNATIVES.

No other alternatives were presented to or considered by the Department.

REASONABLE ALTERNATIVES TO THE PROPOSED REGULATORY ACTION THAT WOULD LESSEN ANY ADVERSE IMPACT ON SMALL BUSINESS.

The Department has not identified any alternatives that would lessen any adverse impact on small businesses.

EVIDENCE SUPPORTING FINDING OF NO SIGNIFICANT STATEWIDE ADVERSE ECONOMIC IMPACT DIRECTLY AFFECTING BUSINESS.

Given the small number of Department licensees affected by the proposed regulations, there will be no significant statewide adverse economic impact directly affecting business.